

Message Text

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PAGE 01 TEHRAN 03701 280511Z
ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01
PRS-01 /100 W

-----280513Z 022967 /14

R 280439Z APR 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 2283

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E.O. 11652: N/A
TAGS: ENRG IR
SUBJ: IRANIAN REACTION TO PRESIDENT CARTER'S ENERGY PROPOSALS

1. THE PRESIDENT'S ENERGY PROGRAM HAS RECEIVED GREAT ATTENTION
HERE AND THE INITIAL, ALMOST UNIVERSAL REACTION IS ONE OF APPROVAL
AND ADMIRATION. THERE IS ALSO A SUBSTANTIAL ELEMENT OF "I
TOLD YOU SO" IN THE REMARKS OF GOI OFFICIALS.

2. THERE HAS NOT BEEN, NOR IS THERE LIKELY TO BE ANY PUBLIC
OFFICIAL COMMENT BY THE GOI ON THE PROPOSED ENERGY POLICY.
HOWEVER, THE SHAH IN A CONVERSATION WITH THE CHARGE ON APRIL 25
SAID THAT HE THOUGHT THAT THE PRESIDENT'S ACTION WAS
COURAGEOUS AND THAT THE PROPOSED POLICY VINDICATED THE POSITION
THAT HE HAD TAKEN FOR SOME TIME. THE SHAH ALSO NOTED WITH
INTEREST THAT THE PRESIDENT'S PUBLIC POPULARITY HAD INCREASED
AS A RESULT OF THE FORCEFUL INITIATIVE ON ENERGY.

3. ALTHOUGH THE GOI HAS TAKEN NO OFFICIAL PUBLIC POSITION ON
THE SPECIFICS OF THE PRESIDENT'S PROPOSALS, THE NIOC OFFICIAL
WHO PREPARED A REPORT ABOUT THE POLICY FOR THE SHAH OUT-
LINED FOR AN EMBOFF THE CRUCIAL POINTS AS SEEN FROM THE
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PAGE 02 TEHRAN 03701 280511Z

IRANIAN PERSPECTIVE. BY FAR THE MOST IMPORTANT FEATURE OF
THE NEW POLICY, IN THE IRANIAN VIEW, IS THAT ENERGY PRICES
SHOULD REFLECT TRUE REPLACEMENT COST AND THAT TO DO OTHER-
WISE IS MISLEADING OURSELVES. ANOTHER POINT THAT IS RECEIVED
WITH GREAT SATISFACTION HERE, AND WHICH APPARENTLY WAS HIGH-
LIGHTED IN THE REPORT TO THE SHAH, IS THE VIEW THAT ADOPTION
OF THE PRESIDENT'S PROGRAM WILL HAVE A NEGLIGIBLE IMPACT ON

INFLATION AND WILL BENEFIT THE ECONOMY BY RAISING EMPLOYMENT LEVELS. NIOC OFFICIAL ALSO NOTED THE PRESIDENT'S PROPOSAL THAT DOMESTIC OIL PRICES BE ADJUSTED FOR INFLATION AND HE, IN A TEASING MANNER, EXPRESSED APPROVAL OF THE U.S. COMMITMENT TO INDEXATION. THE FINAL MAJOR POINT RAISED BY THE NIOC OFFICIAL WAS THE OBSERVATION THAT NO ONE COULD QUESTION THE WISDOM OF MAKING CONSERVATION THE CORNERSTONE OF U.S. ENERGY POLICY.

4. COMMENT: USG SHOULD BE PREPARED TO HEAR A GREAT DEAL FROM THE GOI, BEGINNING WITH THE UPCOMING CIEC MEETINGS, ABOUT TRUE REPLACEMENT COST PRICING OF OIL AND ABOUT THE "SHARED VIEW" THAT SUBSTANTIAL INCREASES IN ENERGY PRICES WILL NOT CONTRIBUTE SUBSTANTIALLY TO INFLATION.
MIKLOS

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